

**ECONOMIC AND FISCAL IMPACT STATEMENT**  
(REGULATIONS AND ORDERS)

STD. 399 (Rev. 2-98)

See SAM Sections 6600 - 6680 for Instructions and Code Citations

DEPARTMENT NAME <b>Air Resources Board (ARB)</b>	CONTACT PERSON <b>Deborah Kerns, Senior Staff Counsel</b>	TELEPHONE NUMBER <b>(916) 327-9115</b>
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 <b>Proposed Amendments to the Antiperspirants and Deodorants Regulation (title 17, § 94500 et seq.), Consumer Products Regulation (title 17, § 94507 et seq.), Aerosol Coatings Regulation (title 17, § 94520 et seq.), Tables of MIR Values (title 17, § 94700 et seq.), and Test Method 310; and Proposed Repeal of the Hair Spray Credit Program (title 17, § 94560 et seq.);</b>		NOTICE FILE NUMBER

**ECONOMIC IMPACT STATEMENT****A. ESTIMATED PRIVATE SECTOR COST IMPACTS** (Include calculations and assumptions in the rulemaking record.)

1. Check the appropriate box(es) below to indicate whether this regulation:

- ☒ a. Impacts businesses and/or employees
 ☒ e. Imposes reporting requirements  
☒ b. Impacts small businesses
 ☐ f. Imposes prescriptive instead of performance standards  
☐ c. Impacts jobs or occupations
 ☒ g. Impacts individuals  
☐ d. Impacts California competitiveness
 ☐ h. None of the above (Explain below. Complete the Fiscal Impact Statement as appropriate.)

h. (cont.) \_\_\_\_\_

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: 134 (See Attachment A.2) Describe the types of businesses (include nonprofits): Marketers and manufacturers of household care products and adhesives.Enter the number or percentage of total businesses impacted that are small businesses: 54% of consumer products and 46% of aerosol coatings companies (See Attachment A.2)3. Enter the number of businesses that will be created: None or eliminated: FewExplain: The proposed amendments are not expected to cause a significant change in profitability of most businesses. However, the proposed amendments may impose hardship on some businesses with little or no margin of profitability.4. Indicate the geographic extent of impacts: ☒ Statewide ☐ Local or regional (list areas): \_\_\_\_\_5. Enter the number of jobs created: None or eliminated: Few Describe the types of jobs or occupations impacted: No significant job impact is expected from the proposed amendments because the amendments would have no noticeable impact on the profitability of most businesses. However, as stated in A.3, the amendments may impose some hardship on some marginal businesses.

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

☐ Yes☒ No

If yes, explain briefly: \_\_\_\_\_

**B. ESTIMATED COSTS** (Include calculations and assumptions in the rulemaking record.)1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime: \$26.5 million over five years (See attachment B.1)a. Initial costs for a small business: \$ 11,500 - 16,500 Annual ongoing costs: \$ 140 - 520 (See attachment B.1a) Years: 5b. Initial costs for a typical business: \$ 35,000 - 198,000 Annual ongoing costs: \$ 400 - 6,200 (See attachment B.1b) Years: 5c. Initial costs for an individual: \$ 0 Annual ongoing costs: \$ 0.12 - 1.59 (see attachment B.1c) Years: 5

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d. Describe other economic costs that may occur: None

2. If multiple industries are impacted, enter the share of total costs for each industry: 94% Household Care Industry; 6% Adhesive Industry
3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. (Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.): \$ 3,200. Cost incurred due to time required to report formulation data and any other information necessary to determine compliance for products selected for testing (see attachment B.3.
4. Will this regulation directly impact housing costs? ☐ Yes ☒ No If yes, enter the annual dollar cost per housing unit: \$ \_\_\_\_\_ and the number of units: \_\_\_\_\_
5. Are there comparable Federal regulations? ☒ Yes ☐ No Explain the need for State regulation given the existence or absence of Federal regulations: The federal regulations specify VOC limits for consumer products and reactivity limits for aerosol coatings which are less stringent than the California limits. The California regulations are needed to meet the emissions reduction goals of the California State Implementation Plan (SIP) for ozone mandated by the Federal Government.
- Enter any additional costs to businesses and/or individuals that may be due to State-Federal differences: \$ 26.5 million

**C. ESTIMATED BENEFITS** (Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. Briefly summarize the benefits that may result from this regulation and who will benefit: Staff has estimated equivalent VOC emission reductions of about 4 tons per day. All California residents will benefit. This is because VOCs are ozone precursors, so reducing emissions will improve air quality.
2. Are the benefits the result of: ☒ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?
- Explain: Health and Safety Code section 41712 requires the ARB to achieve the maximum feasible reduction in VOC's emitted by consumer products.
3. What are the total statewide benefits from this regulation over its lifetime? \$ Unquantified.

**D. ALTERNATIVES TO THE REGULATION** (Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: Alternative 1: No action.  
Alternative 2: More stringent or additional limits. For alternative 2, lack of technologies to determine when more stringent limits would be commercially and technologically feasible makes the quantification of costs and benefits impossible.
2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:
- |                           |   |          |   |
|---------------------------|---|----------|---|
| Regulation: Benefit: \$   | <u>Unquantifiable, Equivalent VOC emissions reductions of four tons per day</u> | Cost: \$ | <u>26.5 million</u>   |
| Alternative 1 Benefit: \$ | <u>none</u>   | Cost: \$ | <u>No direct cost, potential loss of federal highway funding because of failure to meet SIP requirements.</u> |
| Alternative 2 Benefit: \$ | <u>Unquantifiable, Slightly more emission reduction than the proposal.</u>      | Cost: \$ | <u>Significantly more costly than the proposal.</u>   |
3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: None.

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4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? ☒ Yes ☐ No  
Explain: The proposal is comprised of performance standards (VOC and reactivity limits); manufacturers decide how best to comply and formulate products that meet the limits.

### E. MAJOR REGULATIONS *(Include calculations and assumptions in the rulemaking record.)*

*Cal/EPA boards, offices and departments are subject to the following additional requirements per Health and Safety Code section 57005.*

1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million? ☐ Yes No ☒ *(If No, skip the rest of this section)*

2. Briefly describe each equally as effective alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: \_\_\_\_\_

Alternative 2: \_\_\_\_\_

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation	\$ _____	Cost-effectiveness ratio: _____
Alternative 1	\$ _____	Cost-effectiveness ratio: _____
Alternative 2	\$ _____	Cost-effectiveness ratio: _____

## FISCAL IMPACT STATEMENT

### A. FISCAL EFFECT ON LOCAL GOVERNMENT *(Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years)*

- ☐ 1. Additional expenditures of approximately \$ \_\_\_\_\_ in the current State Fiscal Year which are reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code. Funding for this reimbursement:
- ☐ a. is provided in (Item \_\_\_\_\_, Budget Act of \_\_\_\_\_) or (Chapter \_\_\_\_\_, Statutes of \_\_\_\_\_)
- ☐ b. will be requested in the \_\_\_\_\_ Governor's Budget for appropriation in Budget Act of \_\_\_\_\_  
(FISCAL YEAR)
- ☐ 2. Additional expenditures of approximately \$ \_\_\_\_\_ in the current State Fiscal Year which are not reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code because this regulation:
- ☐ a. Implements the Federal mandate contained in \_\_\_\_\_
- ☐ b. implements the court mandate set forth by the \_\_\_\_\_  
court in the case of \_\_\_\_\_ vs. \_\_\_\_\_
- ☐ c. implements a mandate of the people of this State expressed in their approval of Proposition No. \_\_\_\_\_ at the \_\_\_\_\_  
election; (DATE)
- ☐ d. is issued only in response to a specific request from the \_\_\_\_\_  
\_\_\_\_\_, which is/are the only local entity(s) affected;
- ☐ e. will be fully financed from the \_\_\_\_\_ authorized by Section \_\_\_\_\_  
(FEES, REVENUE, ETC.)  
\_\_\_\_\_ of the \_\_\_\_\_ Code;

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- ☐ f. provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each such unit.
- ☐ 3. Savings of approximately \$\_\_\_\_\_ annually.
- ☐ 4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law and regulations.
- ☒ 5. No fiscal impact exists because this regulation does not affect any local entity or program.
- ☐ 6. Other.

**B. FISCAL EFFECT ON STATE GOVERNMENT** *(Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)*

- ☐ 1. Additional expenditures of approximately \$\_\_\_\_\_ in the current State Fiscal Year. It is anticipated that State agencies will:
- ☐ a. be able to absorb these additional costs within their existing budgets and resources.
- ☐ b. request an increase in the currently authorized budget level for the \_\_\_\_\_ fiscal year.
- ☐ 2. Savings of approximately \$\_\_\_\_\_ in the current State Fiscal Year.
- ☒ 3. No fiscal impact exists because this regulation does not affect any State agency or program.
- ☐ 4. Other. \_\_\_\_\_

**C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS** *(Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)*

- ☐ 1. Additional expenditures of approximately \$\_\_\_\_\_ in the current State Fiscal Year.
- ☐ 2. Savings of approximately \$\_\_\_\_\_ in the current State Fiscal Year.
- ☒ 3. No fiscal impact exists because this regulation does not affect any federally funded State agency or program.
- ☐ 4. Other.

SIGNATURE		TITLE
		Executive Officer
AGENCY SECRETARY <sup>1</sup>		DATE
APPROVAL/CONCURRENCE	PROGRAM BUDGET MANAGER	4/17/14
DEPARTMENT OF FINANCE <sup>2</sup>		DATE
APPROVAL/CONCURRENCE		

1. <sup>4</sup> The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6600-6680, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.
2. Finance approval and signature is required when SAM sections 6600-6670 require completion of the Fiscal Impact Statement in the STD. 399. However, Finance must immediately receive a copy of each STD. 399 submitted to OAL without Finance signature, and Finance may subsequently question the "no fiscal impact" finding of a state agency.

## **Attachment to Form 399**

### **Consumer Products Regulation**

#### **ECONOMIC IMPACT STATEMENT**

##### **Section A.2: Affected Businesses**

The proposed amendments impact 93 aerosol coating companies and 41 consumer product companies. Of these, 43 of the aerosol coating companies and 22 of the consumer product companies are considered to be small businesses according to Section 11342.610 of the Administrative Procedures Act that defines small businesses as follows: in manufacturing as businesses that are independently owned and operated and have 250 employees or less; in retail trade as businesses with \$2,000,000 in revenue or less; and in wholesale trade as businesses with \$9,500,000 in revenue or less.

##### **Section B. 1: Statewide Costs**

The method for calculating total cost is set forth in Chapter VII of the Technical Support Document of the Initial Statement of Reasons. Assuming a five year project horizon there will be a statewide cost of about \$24.5 million to comply with the aerosol coatings reactivity limits, while the cost to comply with the proposed VOC limits for consumer products will be about \$2 million.

##### **Section B. 1.a: Small Business Cost**

A typical small business affected by the proposed amendments for aerosol coatings and consumer products has one noncomplying product. Initial costs are the nonrecurring costs which include costs for research and development, equipment hardware, market research and product testing.

For aerosol coatings, the nonrecurring cost is estimated to be the same for the various coating categories. Thus, for a small business with one product that must be reformulated, the cost is about \$16,500. For consumer products, the cost is estimated at \$11,500. (See ISOR Chapter VII)

Annual ongoing costs for a small aerosol coatings business and for a small consumer products business are estimated to be \$520 and \$140, respectively.

### **Section B. 1.b: Typical Business Cost**

The typical aerosol coating products business would incur costs to reformulate 12 noncomplying products. The initial cost for a typical business is estimated to be \$198,000 (12 x \$16,500). The annual ongoing cost for a typical business is estimated to be \$6,200 (12 x \$ 520).

The typical consumer products business would incur costs to reformulate three noncomplying products. For consumer products, the initial cost for a typical business is estimated to be \$34,500 (\$11,500 x 3). The annual ongoing cost is estimated to be \$420 (3 x \$140).

### **Section B. 1.c: Cost to Consumers**

The typical consumer of aerosol coatings purchases less than three units per year. The typical consumer of consumer products that are the subject to this rulemaking purchases less than one unit per year. Consumers of aerosol coatings and consumer products would see an annual increase cost of \$0.15 to \$1.59 and \$0.12 to \$0.42, respectively (see ISOR, Chapter VII).

### **Section B. 3: Reporting Costs**

To estimate the reporting costs, we have used the costs for completing survey forms. The information required by the reports is similar to the type of information that is routinely asked for in surveys, so this is a reasonable surrogate. The survey data serve as the basis for determining appropriate limits. As part of our most recent survey of the industry, manufacturers had the option of providing information on the amount of time or cost incurred to complete the survey. Of the companies choosing to respond, the average cost is about \$3,200.